3 Cheap Housing Stocks I'd Buy Today

Description

The Canadian housing market has faced significant turbulence during the spring season. Inflation has soared to a three-decade high in Canada, which has spurred policymakers into action. Today, on June 1, 2022, the Bank of Canada (BoC) rose the benchmark interest rate to 1.5%. Investors should expect this to apply more pressure on the domestic real estate space. That said, low supply and steady demand means that the fundamentals are still encouraging in this sector. Today, I want to look at three housing stocks that look undervalued to kick off the month of June.

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These two alternative lenders will rise and fall with Canadian real estate

Canada's top alternative lenders have been key players in the domestic housing market over the past decade. In 2017, the housing space faced major challenges. **Home Capital** (TSX:HCG) found itself on the verge of collapse due to significant underwriting issues. Fortunately, the company was able to come back from the brink with a little assist from Warren Buffett and the government.

This Toronto-based company provides residential and non-residential mortgage lending. Its shares have plunged 25% in 2022 as of early afternoon trading on June 1. In Q1 2022, Home Capital reported mortgage originations of $2.76 billion — up from $1.60 billion in the first quarter of 2021. Its total loan portfolio grew by 5.6% to $19.4 billion.

Shares of this housing stock possess a very favourable price-to-earnings (P/E) ratio of 6.5. It last paid out a quarterly dividend of $0.15 per share. That represents a 2% yield.

Equitable Group (TSX:EQB) is another top alternative lender that has thrived during the COVID-19 real estate boom. This housing stock is down 13% so far this year. In Q1 2022, the company saw earnings increase 34% year over year to $92.4 billion. Meanwhile, adjusted diluted earnings per share jumped 33% to $3.64.

Assets under management increased 18% from the prior year to $43.4 billion. Meanwhile, adjusted revenue increased 26% to $188 million. It saw single family alternative loans rise 37% to $15.4 billion. Shares of this housing stock last had an attractive P/E ratio of 6.9. Better yet, it offers a quarterly dividend of $0.29 per share, representing a modest 1.8% yield.

This discounted housing stock also offers up a monster dividend

Investors who are on the hunt for income in this volatile environment may want to snatch up **Bridgemarq Real Estate** (TSX:BRE). This Toronto-based company provides various services to residential real estate brokers and REALTORS in Canada. The stock has dropped 10% so far in 2022. Its shares have plunged 16% from the previous year.

The company unveiled its first-quarter 2022 earnings on May 12. It posted revenue growth of 2% to $13.4 million. That was powered by strong growth in its stable of realtors. Meanwhile, it posted net earnings of $4.7 million or $0.50 per share — up from a net loss of $2.5 million in the first quarter of 2021.

This housing stock possesses a favourable P/E ratio of 15. Better yet, it offers a monthly distribution of $0.113 per share. That represents a monster 9.2% yield.

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CATEGORY

1. Investing

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2. TSX:EQB (EQB)
3. TSX:HCG (Home Capital Group)

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